GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:3684
ANSWERED ON:18.04.2005
FERTILIZER POLICY
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the long term fertilizer policy as well as the New Fertilizer Policy are in force;

(b) if so, the main features and brief details thereof;

(c) whether main objective of the Government behind the above policies is deregulation and decontrol;

(d) if so, the procedure thereof;

(e) whether there is any impact on World Trade Organisation (WTO) after implementation of New Fertilizer Policy;

(f) if so, the details thereof;

(g) whether the prices of fertilizers including urea are to be raised at regular intervals under the said policy;

(h) if so, whether the above price rise in fertilizers would cause the problem of price hike to the farmers in producing foodgrains;

(i) if so, how the Government proposes to check price hike under the new fertilizer policy;

(j) the comparative details of rate of agricultural grants in the developed countries and in India; and

(k) if so, the details thereof?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) to (d) Payment of subsidy to indigenous manufacturers of urea is regulated under the provisions of the New Pricing Scheme (NPS) for urea units. Concession to manufacturers and importers of decontrolled phosphatic and potassic fertilizers is made under the provisions of the Scheme of Concession on sale of decontrolled phosphatic and potassic fertilizers. NPS was introduced w.e.f 1.4.2003 replacing the erstwhile Retention Price Scheme. NPS is being implemented in stages. Stage-I was of one year duration, from 1.4.2003 to 31.3.2004. Stage-II is of two years duration, from 1.4.2004 to 31.3.2006.

A Working Group has been constituted on 10.12.2004 under the chairmanship of Dr. Y.K. Alagh to review the effectiveness of Stage-I and II of New Pricing Scheme (NPS) for urea units and to formulate a policy for urea units for Stage-III commencing from 1.4.2006. The Working Group would also examine issues pertaining to formulation of feedstock policy especially with regard to nature, pricing and availability, demand and supply of urea upto the end of 11th Five Year Plan, fixing milestones for conversion of existing naphtha and FO/LSHS based units to NG/LNG, mode of determination and methodology of payment of concession to urea units, de-control of movement and distribution of urea, balanced fertilization through urea pricing etc. The Working Group has been asked to submit is report within six months from the date of its constitution.

A policy has been announced for setting up new urea projects and expansion of existing urea projects for augmenting the domestic production capacity of urea to meet the growing demand for enhancing the agricultural production in the country. The new and expansion urea units will be based on natural gas/LNG as feedstock which is the most cost effective and the least polluting feedstock in fertilizer sector today. The new policy will enable the entrepreneurs to decide about their investment plans in the fertilizer sector.

Policy has also been announced for de-bottlenecking/revamp/ modernization of existing urea units, which will be allowed only if the additional production comes from using natural gas/LNG as feedstock.

Government has also formulated a policy for conversion of existing naphtha/FO/LSHS based urea units to natural gas/LNG as feedstock. The plants based on naphtha/FO/LSHS are less energy efficient and have a higher production cost. Therefore, the policy encourages an early conversion to natural gas/LNG so that they acquire a competitive edge in the deregulated and liberalised economic scenario. With a view to encouraging investments for switchover to NG/LNG as feedstock, the investor is assured that savings on account of energy efficiency after conversion would be retained by the plants for a maximum period of 5 years in respect of naphtha based plants and 10 years in respect of FO/LSHS based plants.

(e) & (f): So far as urea is concerned, it is not an issue under World Trade Organization.

(g) to (i): Selling prices of fertilizers have not been increased since 28.2.2002. A marginal increase in selling prices of fertilizers announced on 28.2.2003 was withdrawn w.e.f 12.3.2003.

(j) & (k): There is no data available with regard to rate of agricultural grants in the developed countries.